

Message Text

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17

ACTION EA-14

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R 290842Z JAN 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9594

INFO HICOMTERPACIS SAIPAN MARIANAS ISLANDS

AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

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E.O. 11652: NA

TAGS: EGEN, US, TQ, JA

SUBJ: MICRONESIA - NEW FOREIGN INVESTMENT POLICY

REF: A) STATE 17662 B) TOKYO 1125 C) STATE 14693

SUMMARY: EMBOFFS BRIEFED FONOFF REP ON NEW FOREIGN INVESTMENT POLICY. FONOFF REP EXPRESSED UNDERSTANDING USG CONCERN AND SAID USG AND GOJ MIGHT NEED TO WORK TOGETHER TO REGULATE FLOW OF JAPANESE INVESTMENT. EMBOFFS EXPLAINED THAT USG POSITION RE PROPOSED JAPAN-MICRONESIA ASSOCIATION REMAINS SAME. FONOFF REP SAID IT MIGHT BE MORE DIFFICULT QTE HOLD FORT UNQTE ONCE ASSOCIATION SPONSORS LEARN OF NEW INVESTMENT POLICY. END SUMMARY.

1. ON JAN 29, DRAWING ON REFTELS B AND C, EMBOFFS BRIEFED NUMATA, FIRST NORTH AMERICA DIVISION, FONOFF, ON NEW FOREIGN INVESTMENT POLICY FOR MICRONESIA. EMBOFFS ALSO GAVE NUMATA COPY OF SECRETARY MORTON'S STATEMENT OF JAN 23. ALONG LINES REFS A AND B, EMBOFFS EXPLAINED USG LOOKING FORWARD TO AND EXPECTING JAPANESE INVESTMENT IN MICRONESIA, WHILE AT SAME TIME HOPING INVESTMENT WILL BE BALANCED WITH LIMITED OFFICIAL USE

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AS MANY COUNTRIES AS POSSIBLE PARTICIPATING. THUS, USG

INFORMING OTHER COUNTRIES OF NEW POLICY AND, IN PARTICULAR, ENCOURAGING AUSTRALIANS AND NEW ZEALANDERS TO PARTICIPATE. USG WOULD NOT WANT SMALL MICRONESIAN ECONOMY TO BE DOMINATED BY ANY ONE FOREIGN INVESTOR AND THUS RISK PROBLEMS SUCH AS JAPAN NOW FACES IN SOUTHEAST ASIA. EMBOFFS POINTED OUT THAT POTENTIAL INVESTORS WILL FACE SCREENING AT DISTRICT LEVEL AND, ULTIMATELY, BY HIGH COMMISSIONER.

2. NUMATA REPLIED HE AWARE POSSIBLE PROBLEMS AND UNDERSTOOD USG POSITION. HE SAID HE WOULD INFORM FONOFF COLLEAGUES AND BE IN TOUCH IN CASE QUESTIONS AROSE. WHILE THERE WAS EVIDENCE OF AT LEAST SUPERFICIAL JAPANESE INTEREST IN INVESTING IN MICRONESIA, HE SAID THAT IT REMAINS TO BE SEEN HOW REAL THIS INTEREST IS. HE SAID, NEVERTHELESS, HE ACKNOWLEDGED THAT IT MAY BE NECESSARY FOR GOJ AND USG TO WORK TOGETHER TO REGULATE JAPANESE INVESTMENT FLOWS INTO TTPI. HE NOTED, AND EMBOFFS AGREED, THAT IN ADDITION TO PROBLEM OF ACHIEVING FOREIGN INVESTMENT BALANCED WITH RESPECT TO INVESTING COUNTRIES, PROBLEM OF BALANCE AMONG DISTRICTS WITHIN MICRONESIA MIGHT ALSO ARISE. NUMATA ASKED IF USG HAD APPROACHED KOREA AND PHILLIPPINES CONCERNING INVESTMENT IN TTPI. HE NOTED THAT NATIONALS OF THESE TWO COUNTRIES WERE ACTIVE IN GUAM AND THEREFORE MIGHT HAVE INTERESTS IN MICRONESIAN INVESTMENT.

3. NUMATA ASKED WHETHER NEW INVESTMENT POLICY RELATED TO QUESTION OF FORMATION OF JAPAN-MICRONESIA ASSOCIATION. EMBOFFS REPLIED THAT BECAUSE OF DELICATE POLITICAL NEGOTIATIONS STILL IN PROGRESS, USG POSITION RE ASSOCIATION REMAINS THE SAME. NUMATA SAID THAT ALTHOUGH FONOFF HAS NOT BEEN APPROACHED LAST FEW MONTHS BY PERSONS INTERESTED IN PROPOSED ASSOCIATION, IT MIGHT BE MORE DIFFICULT TO QTE HOLD FORT UNQTE ONCE THEY LEARN OF NEW INVESTMENT POLICY. FOR INSTANCE, IF USG AND GOJ SEE DANGER THAT JAPANESE INVESTMENT IN MICRONESIA MAY BECOME TOO GREAT, GOJ MIGHT WISH TO DISCUSS PROBLEM WITH APPROPRIATE BUSINESSMEN'S GROUP RATHER THAN INDIVIDUAL INVESTORS. SPONSORS OF PROPOSED ASSOCIATION COULD THEN ARGUE THAT ASSOCIATION SHOULD BE FORMED FOR PURPOSE OF DEALING WITH INVESTMENT PROBLEMS.

4. EMBOFFS AND NUMATA AGREED TO REMAIN IN TOUCH ON INVESTMENT LIMITED OFFICIAL USE

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MATTER. SHOESMITH

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Message Attributes

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